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Marketing Proposal for Brand Extension in Japan and the US: The Nintendo TiiVii

Stephanie Tine
University of Connecticut - Storrs, stephanietine@aol.com

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Brand Extension for America
New Offering Development Strategy

Nintendo TiiVii

Marketing Thesis

Stephanie Tine

2010

A Proposal: The Nintendo TiiVii

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Executive Summary

Nintendo is considering the launch of the Nintendo TiiVii. This brand extension is thought to accentuate Nintendo's current offerings and follows Nintendo's philosophy as the provider of family entertainment.

The TiiVii will utilize Nintendo's current resources such as:

→ experience with electronics production
→ 3 factories and 6 distribution centers
→ cash reserves for investment totaling $11.035 billion

Marketing Strategy

The TiiVii will be differentiated:

→Unique features such as wireless internet capabilities and Wii compatibility

→Targeting families who already own a TV and need to upgrade to high definition or buy a 2nd.

Financial Analysis

Total projected revenue for 2011: $2,178,770,000
The TiiVii is estimated to generate **$107.22 million** in net income before income tax.
Break-Even: **6,420,789 units, $1,129,994,656**
The TiiVii will break even within the first year.
This is based on sales of 12.38 million units, which is 20% of target market segments.

Shareholder Value
Stock price is estimated to increase upon announcement for this new offering. The HDTV market is undifferentiated, which makes price influence customer decision.

Nintendo TiiVii is a new offering that is profitable even when penetrating 20% of its prescribed markets. The company's reputation is a solid backbone to this

venture, and Nintendo's experience in production of consumer electronics will be a strong support for the TiiVii.

Brought to you by the Nintendo TiiVii Marketing Team

Current Situation

Company Analysis

Nintendo is a company with 21 subsidiaries and 8 affiliates, and is a prominent player within the electronic entertainment industry. It has an established brand identity to provide home entertainment (1).

Nintendo is historically a toy and entertainment driven company, with its primary purpose to serve consumers' demand for family fun with games. Nintendo was established in November 1889 in Kyoto, Japan, as Marufuku Co. Ltd., which was a family owned business focusing on production and sales of Hanafuda playing cards. In February of 1982, this company, renamed Nintendo of America Inc., was introduced to the United States market. Thereafter, Nintendo has successfully globalized its market with its entrance into the countries of Canada, Germany, France, United Kingdom, and Korea. For the purpose of this proposal, we will be focusing on the United States (2).

Mission

Nintendo as a company has strived to offer entertainment to people of all ages. This can be accurately described through a statement made by the current Chief Executive Officer, Mr. Satoru Iwata:

> "Nintendo has focused its basic strategy on expanding the worldwide gaming audience. To achieve this, Nintendo is encouraging as many people as possible around the world, through its unique hardware and software offerings, to experience and enjoy video game entertainment, regardless of their age, gender, language, cultural background or gaming experience(1)."

Many Americans have been in contact with Nintendo products since childhood, since their focus is on the family market. Nintendo has successfully established its differentiated brand image through trademarked virtual characters such as Mario, Zelda, Metroid Prime, and Star Fox.

The target market for Nintendo USA is directed primarily toward families and children. The unique offering of exercise through play of the Nintendo Wii has brought attention to the potential of electronic entertainment for the older demographic.

Current Offerings

Nintendo as a company has focused on providing electronic entertainment hardware as well as software. The hardware offerings include two main types; home and portable. Nintendo currently offers the Wii and the DS systems, with three different versions of the DS. The Wii has captured the interest of young children as well as older retired people looking for a fun way to exercise. The DS Lite simply plays games, the DSi includes additional camera and memory stick features, and the recently released DSi XL caters to the segments that favor a larger screen.

Nintendo also sells software for the game consoles in the form of DVD discs and game cartridges.

Hardware Products *(4)*

The Wii

Game Console Entertainment

Nintendo DS Lite

Portable Entertainment

Nintendo DSi

Portable

Nintendo DSi XL

Portable Entertainment

Software Products *(3)*

**The software is made exclusively to fit the hardware*

Wii Games **DS Games**

Current consumer purchase behavior and its impact on Nintendo's business (14):

- Hardware Sales drive Software Sales
- Greater variety of Software drives Hardware Sales
- Profit primarily comes from Software sales due to higher Contribution Margin

The company has continually modified its product offerings to cater to the customer needs within the electronic entertainment industry. The Wii had a successful introduction into the game console industry three years ago. The Nintendo DS portable video game system has also proved to be high volume in sales.

Despite the success of consoles in the past years, its hardware sales have decreased significantly, with management cutting estimates for the Wii console by 6 million units for 2009. The Wii console was manufactured targeting the family and older demographics, and as of this point sales have stabilized and the product is approaching its maturity stage within the Product Life Cycle (15).

New Offering Development

Through a new offering development strategy for Nintendo, the company proposes to introduce a brand extension in the form of a high definition television set, using the appeal of its 'fun' brand image to its advantage. This will be flat-paneled and available in a variety of colors. The Nintendo TiiVii will be designed to be more user friendly as compared to its competitors with improved styling and controls. This product will be a compatible with the Nintendo Wii with

slots for the motion sensor and a plexiglass front to combat any accidental throws of the WiiMote. Additionally, the display of Wii software will be transmitted to the TiiVii in High Definition quality, which has not been possible before.

Financial Background

Nintendo's historical financial reports demonstrate strong sales even in times of global recession.

According to Nintendo's financial reports (1):

- Net income increased annually at an average rate of 75.25% from 2004 to 2008
- Cash reserves in 2008 totaled $11.035 billion, an increase of $4.148 billion since year start
- Cash dividends increased annually at 74.25% average annual rate since 2004 to 2008

The cash reserves can be viewed as potential reinvestment capital to provide a foundation for the production and launch of the Nintendo TiiVii.

Resources (12)

Employees

Overall employees are increasing annually.

This means the company is growing.

Investments

Nintendo of America, Co. is a wholly owned subsidiary of Nintendo Ltd. based in Japan and gains financial support from the parent company.

Manufacturing/Distribution

In the United States, Nintendo has licensed distributors for each state. Primary distributors in the US are D&H Distributing, Mecca Electronics Industries, and Jack of All Games.

Research and Development

The company has extensive experience manufacturing materials for electronics and plastics. Factories have relevant production skills. Relationships with suppliers mean reliable access to raw materials.

Social Responsibility

Currently Nintendo is attempting to make its products more eco-friendly through using soy ink in manuals and cutting down the amount of plastics used to manufacture its products.

Environmental Influences

Industry Analysis

Overall, the consumer electronics industry is comprised of products designed for domestic use. This correlates with Nintendo's vision of providing family entertainment which targets the household. The electronics industry is broken up into three sectors: Audio, Game Console, and Video. The Video sector consists of the High Definition Television Set and DVD/Blu-Ray players.

Nintendo's current offerings are within the Game Console sector, the brand extension will be for the Video sector of the electronics industry.

The electronics industry of the US is comprised of revenues totaling $56.6 billion in the year 2007.

The breakdown for the different segments of the industry is as follows:

Category	*Percentage*
Video	83.4%
Game Consoles	8.6%
Audio	8.0%

The video segment has the largest market share of the electronics industry revenues at 83.4%.
This comprises $47.2 billion of revenues for electronics in the United States (15).

Customers

The trends for owning a television set within the family demographic is as follows:

- 99% of families own at least one TV.
- 66% of families own three or more TVs.

The following are some statistics regarding the leisure time of the people of the United States:

- 96% of people 15+ spend a significant amount of the day for leisure activities
- Watching TV accounts for 50% of the time spent for leisure activities (10).

Competitors

Breakdown of HDTV Market in the United States

The leader in the HDTV market at the end of 2009 was Samsung with 16.8% market share. Then Vizio, LG, Toshiba, and Sony in the order of decreasing market share. Included in the 'Other' category are all smaller manufacturers of the TV, each with less than 7.8% market share (11). There is a moderate amount of competition, with Samsung, Vizio, LG, Toshiba, and Sony as the top 5 competitors in the industry.

Nintendo SWOT Analysis

Internal Factors	*Strengths*	*Weaknesses*
Management	At the moment the president of Nintendo America is Reginald "Reggie" Fils-Aimé. He was previously the CMO (8). The number of workers at Nintendo is 3000, which is a small figure in comparison to other major firms. Each worker is said to generate $1.6	There are some issues with supply chain management, with their current products often being sold out and inaccessible (16). Restraints in capacity or personnel can be seen from this fact. The company will need to hire additional personnel and expand manufacturing facilities

	million in revenue (9). The low number of workers and high revenue figures indicate a strong management system within Nintendo and room for expansion.	for the TiiVii.
Offerings	The success of previous electronics entertainment offerings has increased awareness of Nintendo as a brand. Experience in the electronics industry will be beneficial in the production process of the Nintendo TiiVii.	The Nintendo TiiVii will not be a repeat purchase item, so its sales will be somewhat limited.
Marketing	Strong brand awareness. Family friendly commitment in advertisements. Global reach, established brand image. Advertising presence established through television commercials and print ads (17).	Nintendo has never advertised the HDTV exclusively, only as an accessory to its game console offering. Will need to devise a new strategy and come up with a focused ad campaign.
Finance	Total revenue for Feb 2009 was at $18,386,220,000. Net income as of February 2009 was at $2,790,890,000 (1). This amount shows potential reinvestment capital for the Nintendo TiiVii.	The company currently has total liabilities of $5,568,600,000. Of this, current liabilities comprise $5,409,140,000 (1). This liability amount means that Nintendo still holds some debt despite growing sales.
Manufacturing	Have experience with economy of scale production in consumer electronics which can be	There are capacity restraints associated with meeting the consumer demand levels. There

	applicable in the making of the HDTV. The company has contracts with electronics suppliers already, alleviating the effort in locating reliable sources to provide quality resources for production.	have been continuous shortages of the Wii console, so production of the HDTV will be limited (16).
R&D	Nintendo has an existing crew of technology developers, and there are many similarities between the electronics of the video game console and HDTV.	Competitors already have skilled labor familiar with the development of the HDTV, so Nintendo will need to incur labor costs for a skilled workforce with knowledge about this type of technology.

External Factors	Opportunities	Threats
Consumer/Social	There are over 20 million people that own the Wii console in the US as of May 2009 (18). This presents a market opportunity for the Nintendo TiiVii as a compatible product. Current household penetration of the HDTV is 23.3% (19). Considering that 99% of families own at least one TV, there is a significant market for an upgrade to the HDTV (10).	The prototypicality of the HDTV may cause difficulties in penetrating the target market, because people may have a predisposed attribution to an alternate strong brand image of a competing product.
Competitive	The HDTV market has little differentiation between each of the competitors' HDTV offerings (20). This	The HDTV industry has some established brands. These include Samsung, Vizio, Sony, and

	makes it easier for the TiiVii to differentiate from competition.	Panasonic. These are listed in order from the top selling to the fourth top selling (7).
Technological	As technological breakthroughs make offerings more sophisticated, consumers will demand more user friendly devices.	There is heavy competition in the HDTV industry, and other firms are constantly making technology upgrades, so Nintendo will need to differentiate its products to gain market share.
Economic	The electronics market is forecasted at the value for 2010 as $67.8 billion, which will keep increasing at a rate of 6.2% a year according to the US Consumer Electronics Report (5). The US economy is out of the recession recently, and consumers can gain more confidence in spending habits.	99% of households already possess at least one TV (6), so the company needs to differentiate the Nintendo TiiVii to sway consumers to feel the need to replace their current television with the new offering.
Legal/Regulatory	Already established markets globally.	Comply with consumer protection laws. Also necessary to ensure that legal procedures are followed to patent and license the Nintendo TiiVii.

Nintendo has a well established reputation within the electronics entertainment industry. Through marketing the high definition Nintendo TiiVii through the company's established marketing and distribution network, Nintendo as a company has potential to enter the television market in America. The Nintendo brand is recognized by many consumers in the market for a user friendly product, and this brand image will translate directly for the purpose of the new offering. The TiiVii will join distribution networks for retail sellers already under contract with

Nintendo, making the product widely accessible to provide Opportunity for customers who have the Motivation and Ability to purchase the product.

Target Markets

Nintendo TiiVii has identified 3 promising target segments in the US market (13):

- Families with Babies (***Market Potential: 12.6 million units***)
    - This segment values the 'family' highly, and is a growing market. There is emphasis toward the Hispanic population, which is growing the fastest. This segment tends to have lower disposable income and want value pricing for their products. The TiiVii will provide a baby-proof electronic that gives similar quality pictures as leading competitors for a competitive price.

- Teenagers (***Market Potential: 29.8 million units***)
    - The Teenagers are comprised of people age 13 to 19 that enjoy spending time with friends. According to a study by the Pew Internet & American Life Project Report of 2007, 93% of teenagers use the internet, so the functional benefits of having the TiiVii will be recognized by this age segment. Teenagers cannot usually purchase the product themselves, so their parents will need to have disposable income. This segment will consist of teenagers with parents who make more than $30,000 a year.
- Pre-Teenager of Working Parents (***Market Potential: 19.5 million units***)
    - The needs of the child are recognized by the parent, who is the primary purchaser of the household. Recently, it is becoming more common for children to have televisions and DVD players because parents are feeling guilty not being able to spend enough time with

their children. This segment can be defined by a household in which both parents are working, and the children are around 7 – 12 years old. Together, the parents should make more than $30,000 a year to have enough disposable income to purchase the TiiVii.

Customer Analysis

The target segments noted above have a focus on the younger portion of the population in the United States because of their increased aptitude in use of technology. This segment is more likely to teach their older counterparts how to use up-to-date electronics products, such as the TiiVii with internet capabilities (13).

Families with Babies

This is an increasing portion of the population demographics, and Nintendo's TiiVii fits here because of the necessity for baby proof products. Having children is viewed favorably by the nonwhite population in the United States, so there is a demographic trend toward the household being exposed to these crawling citizens. The TiiVii will be designed with a plexiglass shield to prevent any damage to the high definition screen, even in the case of an object being thrown at it.

Not only does the Nintendo TiiVii provide convenience and promise of durability for the starting family, it also builds the reputation of family friendly products meant for the home. This coincides with the brand image, and provides the family with a quality product for a value price.

Market Potential: The potential market size for families with babies in the United States was estimated using the demographics report. The number of babies in the US is approximately 12.6 million in 2007, and is forecast to increase by about 8.61% in the next 5 years.

Teenagers

This segment has been exposed to Nintendo's previous offerings during childhood, and is familiar with the brand. Teenagers of today are becoming increasingly connected to the internet to communicate with their peers. The Nintendo TiiVii will provide a medium in which to use a large screen for surfing the web because of the product's wireless technology. The Wii game console can also be connected to the HDTV, which will provide a social sphere for the teenager to spend time with friends. This segment also values personalization of products, so offering the TiiVii in different colors will be a strategic method in reaching this demographic.

Market Potential: The potential market size for teenagers was estimated using the demographics report of 2007 obtained through a database. The teenage market size is said to be 29.8 million and declining by 3.51% in the next 5 years.

Pre-Teenager of Working Parents

The parents of this segment listen to their children's demands, and have a higher tendency to spend for their children. This is because the parents feel guilt for not being able to spend time with their kids, and so these pre teens commonly own their own television sets. Through effective marketing to the pre teens, it will be possible to utilize 'pester power' to steer parents into electronics stores for the Nintendo TiiVii.

Market Potential: The market size for the pre teenager of working parents was estimated using the number of "couples with children" there exist in the United States according to a demographics report. Additionally, there is data that 25% of these couples with children have a stay at home mother. So 75% of 26 million couples with children make for 19.5 million potential consumers in this segment.

Objectives

Manufacturing

- Procure skilled labor force of 3 people per factory for the development of the HDTV.

- Customize and install 1 assembly line machine in each factory.
- Enter the market through retail distribution channels by January 2011.

Marketing

- Allocate $5 million to family oriented channels such as TBS or ABC family.
- Distribute print ads and booklets in retail outlets.
- Gain 20% of target market segments.
- Ensure timely distribution of product to all retail outlets such as Best Buy and Wal-Mart.

Financial

- Sell 3.1 million units during the first quarter.
- Break even in 0.93 years following launch.
- Increase sales revenue by 10% every year.

Positioning

Nintendo has consistently emphasized the importance of family entertainment, so the TiiVii fits directly into the company's philosophy.

Positioning Statement

> The Nintendo TiiVii will provide user friendly controls and high quality pictures for families with children that need value pricing.

The Nintendo TiiVii will differentiate itself from competitors with the following attributes:

Functional Benefits:

Nintendo TiiVii will include a plexiglass shield to protect against any physical damage to the screen. The quality of the high definition television will be competitive with other companies in the industry.

The new product will be able to connect to a wireless connection using wireless technology that the company already possesses. Surfing the web is a bonus feature that is not included on other television sets, and will appeal to the technologically savvy.

The TiiVii will be designed to be compatible with the Nintendo Wii so as to encourage sales of the company's other offerings. This includes a holder for the Wii Motion Sensor bar and high definition graphics during game play using the Wii.

Unique Design:

The Nintendo TiiVii will be available in a variety of colors to allow for the personalization of an individual's living space. The compatibility with the Wii will be marketed for those that already own a Wii console or are planning to get one.

Marketing Strategy

Advertising

Focus on the TiiVii as an economical alternative without sacrificing quality of graphics. There will be in-store displays of the TiiVii with the Nintendo Wii system connected and playable to target the family segment. All unique features will be described on the displays and there will be print ads in magazines most commonly read by the purchaser of the household, including Reader's Digest, Family Fun, and large print ads in Sunday newspapers. There will also be advertisements put in the retail stores where the TiiVii will be sold, such as Best Buy and WalMart; typical shopping areas for family entertainment.

Commercials to be aired will target channels such as TBS and Fox to reach family viewers. Although it may seem contradictory to advertise an HDTV via television, it is strategically imperative because of the 99% penetration rate of television within households compared to the 23.3% actual ownership of the high definition version (19). The Nintendo TiiVii is targeted to be used as an additional television set within the household meant to be for the children's personal use.

Promotions

For those interested in buying the TiiVii, they will be given a 10% discount if they own a Wii system. This is to encourage sales from the families that are patrons of Nintendo.

Pricing Strategy

Nintendo TiiVii will be set at an economical price to target families who are on a budget.

The retail price is $199.99, which is substantially lower than the top HDTV competitors.

The average income of a US household is at $46,000 per capita, which means the majority of the population will fall into the target income segment of a minimum $30,000 annual income (23).

Distribution Network

Focus on selling to electronics box retailers, where people are likely to shop when in search for an HDTV. This will ensure availability according to consumer demand levels. These big box retailers such as Best Buy and WalMart have wide geographic disbursement and customer recognition, which is favorable for Nintendo's penetration of the US market.

MARKETING PROGRAMS

Product

Features/Benefits

High definition graphics will demonstrate competitive quality of the product.

Plexiglass shield to prevent breakage from throwing objects such as the Wii Remote. This has the additional benefit of making the product child and baby proof while providing entertainment to these segments.

Internet access if there is a wireless connection, and the ability to surf the web with the remote provided with the TiiVii.

The HDTV will be made extra compatible with the Wii game console with additional features such as the Wii Motion Sensor Bar holder at the top of the TiiVii and the ability to play games in high definition.

Packaging/Labeling

Nintendo's corporate responsibility for eco-friendly products will be sustained through the use of soy ink in all manuals, and cutting down the use of plastics in the TiiVii as compared to competitors (12).

Branding

Nintendo has established a loyal customer base through its previous offerings of family oriented electronics which will inevitably benefit the launch of the Nintendo TiiVii because people will recognize the name. Not only will the brand be recognized, the customers will associate the concept of quality in its electronics offerings.

Place

The Nintendo TiiVii will be sold from electronics retailers such as Best Buy and Wal-Mart. It is highly likely that a consumer in search of an electronic device such as the HDTV will visit these retail stores.

Price

Nintendo TiiVii will be sold at value pricing.

Price to Consumer:	$199.99
Retail margin:	12%
Price to retailer:	**$175.99**

A lower price is beneficial in the HDTV market because there is little differentiation between offerings, so consumers are price sensitive (20).

Promotions

Advertising

→ In-Store Demos with connections to the Wii

This will establish a connection in consumer's minds about the functional compatibility between the Nintendo products.

→ Print ads with focus on families and fun.

This will use trademarked Nintendo mascots such as Mario.

→ Television commercials on family oriented channels such as TBS, ABC Family, and Disney Channel.

Promotions

Customers will be given a 10% discount if they own a Wii system. To redeem the offer the customer simply needs to bring in the receipt from a prior purchase of the Wii. The receipt will be marked accordingly to prevent abuse of the offer.

Picking Markets

Nintendo has served the family demographic through its previous product offerings, so the Nintendo TiiVii will fit into this product mix through its focused target markets. The chosen segments for the TiiVii include families with babies, teenagers, and pre teenagers with working parents. In most cases, the buyer will be the purchasing decision maker of the household.

Positioning

The Nintendo TiiVii will provide consumers with numerous functional benefits for the HDTV. These include wireless internet access, a strong protection layer of plexiglass to prevent damage to the display, and high definition quality graphics. These features differentiate the TiiVii from competitors' products.

FINANCIAL ANALYSIS

Pro Forma Income Statement					
					(*in millions*)
Sales					$2,178.77
Cost of Goods Sold					$1,956.04

Gross Margin					$222.73
Marketing Expenses					
	Promotions Expenses			$6.57	
	Advertising Expenses			$56.99	
	Distribution Costs			$46.43	$109.98
Administrative Expenses					
	Administrative Salaries			$2.16	
	Capital Goods			$3.00	
	Other Administrative Expenses			$0.37	$5.53
Net Profit before Income Tax					$107.22

The pro forma income statement above is based on an annual level with numbers based on certain criteria. Sales are estimated assuming 20% penetration of target markets. This is a realistic estimate because the market is competitive. The cost per unit produced was an estimate based on the cost per unit of the Wii console (22). Promotions expenses were figured assuming a 10% redemption rate of the 10% off deal when a customer brings in proof of ownership of the Wii console. This was also calculated according to figures that 9 million consoles are owned worldwide (21), and the United States is 36.5% of Nintendo's business (1). The advertising costs were found assuming that Nintendo will allocate 5% of its advertising budget to the launch of the Nintendo TiiVii. The sales management team and additional workers needed to manufacture/distribute the TiiVii have been taken into consideration upon calculations for administrative expenses. Please see attached appendix for specific information.

Break-Even Analysis

Results	**Calculations**	
Price after retail margin	199.99*0.88 = 175.99	$175.99

Variable Cost per Unit		$158.00
Contribution Per Unit:	175.99 – 158.00	$17.99
Break Even Units Fixed costs*percentage of target market/Contribution Margin	115510000 / 17.99	**6,420,789 units**
Break Even Dollars Break even units * Price to distributor	6420789 * 175.99	**$1,129,994,656**

According to the calculations above, break even unit volume is at 6,420,789 units, which is equivalent to $1,129,994,656 in sales revenue. Given this data, the TiiVii will break even by the end of its first year of launch.

Implementation and Controls

Implementation

We have a project team that will implement the manufacturing, marketing, and distribution goals of this venture in an efficient and structured manner, meeting deadlines according to plan. Nintendo will provide new employees with training, and ensure proper quality guidelines are in place regarding TiiVii manufacturing. The marketing team will work to publicize the release of the Nintendo TiiVii a few months in advance of the launch to increase consumer recognition and place its product in the customer's evoked set of brands considered when in search for an HDTV.

Controls

Nintendo will consistently review the success of the TiiVii marketing campaign and work to maximize efficiency and continually improve processes. Nintendo will measure success via the following factors:

Annual plan:

- Sales Revenue
- Market Share

Profitability:

- Contribution Margin
- Net Profit Margin

Productivity:

- Promotion Redemption Rate
- Percentage of Shipments delayed or damaged
- Production Levels meeting Consumer Demand

Strategic:

- Customer perception of brand image - annually
- Awareness of social responsibility campaigns – annually
- Marketing audit – annually

Marketing Organization

The marketing team for Nintendo will be responsible for overseeing the marketing strategies and implementation of the marketing efforts described in this plan. Other teams may be involved in the prescribed efforts, and it is the marketing team which must effectively communicate the needs of the marketing efforts to gain cooperation and commitment from essential parties. The marketing team is consistently working to improve efficiency and fulfill marketing needs for the new product.

Contingency Plan

There are a number of risks in the marketing plan. The numbers forecasted for the target segments are estimates, which may be proven inaccurate. The financial statement is based on these numbers, as well as including more data found from various sources to predict future costs. Nintendo is entering a new market, and there

may be factors that have not been taken into consideration. Nintendo has a weak spot in which the capacity restraints may cause a limit to the amount of the TiiVii that will be produced. The TiiVii is not a repeat purchase item, so consumer lifetime value is nonexistent.

The contingency plan in the face of these possible future difficulties:

→ Continually review actual demand and adjust production levels

→ Factory capacity will be increased if the need arises

→ Constantly collect customer feedback to improve product offering

Statement of Investment Potential

For the shareholders, the Nintendo TiiVii will demonstrate a strong and expansive brand extension. Stakeholders can be confident in the proposed investment and expect substantial returns in the future.

The TiiVii offers a differentiated HDTV through added features such as the wireless internet capability and compatibility with the Wii console. Nintendo will enter an undifferentiated market, which makes the product more likely to penetrate its target segments through focused advertising.

The TiiVii will increase Nintendo's sales revenue as a whole by approximately 6%, which is a little more than a billion dollars of increase. With that much more cash flowing in, Nintendo will have more investment potential to further upgrade the manufacturing and distribution processes of the TiiVii.

Appendix

Calculations	
Sales 20%*(12.6+29.8+19.5)*$175.99= **$2178.77 million**	Estimated Market Penetration(Sum of Target Markets)*Revenue per Unit Sold

Cost of Goods Sold 6.19 * $158 = **$1956.04 million**	Estimated Unit Sales * Estimated Variable Cost per Unit
Gross Margin $1956.04 – $1956.04 = **$222.73 million**	Sales – Cost of Goods Sold
Promotions Expenses 9 * 36.5% * 10% * $20 = **$6.57 million**	Worldwide Wii Ownership * Nintendo America's portion of Nintendo's business * Estimated Promotion Redemption * Amount Lost per Transaction
Advertising Expenses 5% * $1139.77 = **$56.99 million**	Estimated Budget Allocation * Total Advertising Cost (1)
Distribution Costs 12.38 / 4 * $15 = **$46.43 million**	Estimated Total Unit Sales / units per case * shipment fee per case
Administrative Salaries (3*10*0.033)+(3*3*0.05)+(6*3*0.04)= **$2.16 million**	(3 factories*10 unskilled workers per factory*Salary of $33,000)+(3 factories*3 skilled workers*$50,000 Salary)+(6 Distribution Centers*3 distributors per center*$40,000 Salary)
Capital Goods $1 * 3 = **$3 million**	A million per assembly line * 3 factories
Other Administrative Expenses (1*3*$0.05)+(11*$0.02) = **$0.37 million**	(1 manager per factory * 3 factories * $50,000 Salary) + (5 Marketing, 5 Manufacturing, and 1 Project Manager Personnel so 11 * $20,000 project payoff)
Net Profit before Income Tax $222.73 – ($6.57+$56.99+$46.43+$2.16+$3+$0.37) = **$19.06 million**	Gross Margin – Sum of all fixed costs

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